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**TOWN OF OIL CITY, LOUISIANA**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED DECEMBER 31, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/7/07

**TOWN OF OIL CITY, LOUISIANA**  
**Financial Statements**  
**and Independent Auditor's Reports**  
**As of and for the Year Ended December 31, 2006**

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**TOWN OF OIL CITY, LOUISIANA**  
**Financial Statements**  
**and Independent Auditor's Reports**  
**As of and for the Year Ended December 31, 2006**

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## **INDEPENDENT AUDITOR'S REPORT**

# **WILLIAM E. WEATHERFORD, CPA, LLC**

**CERTIFIED PUBLIC ACCOUNTANT**

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable J. C. Dickey, Jr., Mayor  
and Members of the Board of Aldermen  
Town of Oil City, Louisiana

I have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of the Town of Oil City, Louisiana (the Town), as of and for the year ended December 31, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of the Town, as of December 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, I have also issued my report dated October 8, 2007, on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and on pages 29 through 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

**POST OFFICE BOX 5946, SHREVEPORT, LA 71135**  
**PHONE: 318-798-1978 FAX: 318-798-1917**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying financial information listed as "other supplementary information" in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town. Such information, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*William E. Weatherford, CPA, LLC*

William E. Weatherford, CPA, LLC  
Certified Public Accountant  
Shreveport, Louisiana  
October 8, 2007

**REQUIRED SUPPLEMENTAL INFORMATION – PART I**

J. C. DICKEY, JR.  
MAYOR

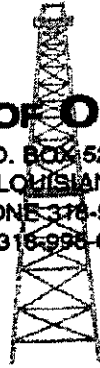
T. C. FULGHUM  
CLERK

JAMES LONG  
POLICE CHIEF

DOUGLAS DOMINICK  
ATTORNEY

## TOWN OF OIL CITY

P.O. BOX 520  
OIL CITY, LOUISIANA 71061  
TELEPHONE 318-995-6681  
FAX 318-995-6633



### COUNCILMEN

DOUG SELF  
DISTRICT 1

DONNIE JACKSON  
DISTRICT 2

JAMES SIMS  
DISTRICT 3

MANDY SLOAN  
DISTRICT 4

JAMES CLIFTON, SR.  
DISTRICT 5

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Oil City, Louisiana, we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Oil City as of and for the year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

#### FINANCIAL HIGHLIGHTS

The Town experienced a 23.88% increase in its net assets (\$705,234) during the fiscal year ended December 31, 2006 compared to a decrease in net assets of \$27,660 (.93%) during the prior year. As of December 31, 2006, the assets of the Town exceeded its liabilities by \$3,658,265. Of this amount, \$947,689 (25.91%) is reported as "unrestricted net assets" and represents the amount available to be used to meet the Town's ongoing obligations to the citizens of Oil City, Louisiana.

During 2006, the Town expended \$580,150 for construction of a multi-purpose community center which was predominantly funded by a Community Development Block Grant from the Department of Housing and Urban Development.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains additional required supplementary information (budgetary schedules) and other supplementary information in addition to the basic financial statements. These components are described below:

##### *Basic Financial Statements*

The basic financial statements include two kinds of financial statements that present different views of the Town - the **Government-wide Financial Statements** and the **Fund Financial Statements**. These financial statements also include the **Notes to the Financial Statements** that explain some of the information in the financial statements and provide additional detail.

##### Government-wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Town's financial position, which assists users in assessing the Town's economic condition at the end of the year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting similar to methods used by most businesses. These statements report all revenues and expenses connected with the year even if cash has not been received or paid and include all



assets of the Town as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB 34 in regards to interfund activity, payables, and receivables. The government-wide financial statements include two statements:

- **The statement of net assets** presents all of the Town's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the Town's net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- **The statement of activities** presents information showing how the Town's net assets changed during the most recent year using the full accrual basis of accounting. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, some revenues and some expenses that are reported in this statement will not result in cash flows until future years. This statement also presents a comparison between direct expenses and program revenues for each function of the Town.

These two statements report the Town's net assets and changes in them. You can think of the Town's net assets – the difference between assets and liabilities – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base, to assess the overall health of the Town.

The Town's basic financial statements contain only governmental activities. These activities are mostly supported by taxes and intergovernmental revenues (grants). Most services normally associated with a municipality fall into this category, including general government, public safety, streets, parks and recreation, and sanitation.

The government-wide financial statements can be found immediately following this discussion and analysis.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Town are categorized as governmental funds. The fund financial statements focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide financial statements.

- **Governmental funds.** The services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the year. Such information may be useful in evaluating the Town's near-term financing requirements. This approach is known as using the flow of financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the Town's finances and assists in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of the governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, users may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental

activities. These reconciliations are presented on the page immediately following each governmental financial statement.

The Town has three governmental funds; the General Fund, the Special Revenue Fund, and the Capital Project Fund. Each governmental fund is considered a major fund for presentation purposes. That is, each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The basic governmental funds financial statements can be found immediately following the government-wide financial statements.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the funds financial statements.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information. This section includes budgetary comparison schedules for the General Fund and the Special Revenue Fund. Annual budgets are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Following the required supplementary information is other supplementary information that is provided to show additional details.

## **FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES**

### ***Net Assets***

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's assets exceeded liabilities by \$3,658,265 at the end of 2006 compared to \$2,953,031 at the end of 2005.

\$2,710,576, (74.09%) of the Town's net assets, reflects the Town's investment in capital assets such as land, buildings, equipment, and sewer improvements, compared to \$2,197,543 (74.42%) at the end of the prior year. The Town uses these capital assets to provide services to the citizens of the Town of Oil City; consequently, these assets are not available for future spending.

The other portion of the Town's net assets, \$947,689 (25.91%) as of December 31, 2006, compared to \$755,488 (25.58%) at the end of the prior year, is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors at the discretion of the mayor and council of the Town of Oil City. The Town continues to maintain a high level of liquidity with \$898,133 (94.77%) of the unrestricted net assets of the Town consisting of highly liquid cash and cash equivalents and certificates of deposit.

	<b>Governmental Activities</b>	<b>Governmental Activities</b>
	<b>2006</b>	<b>2005</b>
Current Assets	<u>\$ 992,744</u>	<u>\$ 765,056</u>
Capital Assets	<u>2,710,576</u>	<u>2,197,543</u>
Total Assets	<u>3,703,320</u>	<u>2,962,599</u>
Current Liabilities	<u>45,055</u>	<u>9,568</u>
Invested in Capital Assets	<u>2,710,576</u>	<u>2,197,543</u>
Unrestricted	<u>947,689</u>	<u>755,488</u>
Total Net Assets	<u><u>\$ 3,658,265</u></u>	<u><u>\$ 2,953,031</u></u>

### ***Changes in Net Assets***

The Town's net assets increased by \$705,234 (23.88%) during the year ended December 31, 2006 compared to a decrease of \$27,660 (.93%) during the year ended December 31, 2005.

Approximately 11.04% (\$135,313) of the Town's total revenues was derived through charges for services compared to \$111,625 (26.24%) during the prior year. \$389,754 (31.78%) of the Town's total revenues was derived from general revenues including taxes and interest compared to \$306,772 (72.13%) during 2005. The Town received \$701,263 (57.18% of its total revenues) during 2006 from grants and contributions compared to \$6,929 (1.63% of its total revenues) during 2005.

In 2006, program revenues exceeded governmental activity expenses by \$315,480.

	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2006</u>	<u>2005</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 135,313	\$ 111,625
Operating grants and contributions	11,895	6,929
Capital grants and contributions	689,368	-
General revenues:		
Taxes	331,452	279,404
Interest	32,586	19,688
Other	25,716	7,680
Total revenues	<u>1,226,330</u>	<u>425,326</u>
<b>Expenses:</b>		
General government	176,154	131,316
Public safety	177,666	145,486
Sanitation	11,577	14,345
Sewer	155,699	161,839
Total expenses	<u>521,096</u>	<u>452,986</u>
<b>Increase (decrease) in net assets</b>	<b>705,234</b>	<b>(27,660)</b>
Net assets - beginning of year	<u>2,953,031</u>	<u>2,980,691</u>
Net assets - end of year	<u>\$ 3,658,265</u>	<u>\$ 2,953,031</u>

### **FINANCIAL ANALYSIS OF THE INDIVIDUAL FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### ***Governmental Funds***

The focus of the Town's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year.

The General Fund is the chief operating fund of the Town. Unreserved fund balance was \$276,956 at the end of the current fiscal year which represents an increase of \$21,992 (8.63%) compared to the \$254,964 unreserved fund balance at December 31, 2005.

The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Special Revenue Fund accounts for the collection of property taxes, sales taxes, and fees. During 2006, the unreserved fund balance increased \$163,673 (33.02%) from \$495,614 at the end of 2005 to \$659,287 at December 31, 2006.

As of the end of the current year, the Town's governmental funds reported a combined ending fund balance of \$944,218, an increase of \$193,620 compared to the prior year. Approximately 99.16% (\$936,263) of this total amount constitutes *unreserved fund balance* which is available for spending at the Town's discretion.

The remainder of fund balance (\$7,955 or .84%) is reserved to indicate that it is not available for spending because it consists of prepaid items.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Formal budgetary integration is employed as a management control device during the fiscal year. The budget policy of the Town complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA – R.S. 39:1301 et seq.).

The Town's General Fund was not amended during 2006.

- Tax revenues were higher than budgeted.
- Fines revenues were higher than budgeted.
- Contributions were higher than budgeted.
- Licenses and permits revenues were lower than budgeted.
- Administrative expenditures were higher than budgeted.
- Law enforcement expenditures were higher than budgeted.
- Capital outlays were higher than budgeted.

Expenditures were \$122,816 greater than the amount budgeted.

Revenues available for expenditure were \$187,268 above the budgeted amounts.

### **CAPITAL ASSET ADMINISTRATION**

The Town's investment in capital assets for governmental activities as of December 31, 2006 totaled \$4,855,878, net of accumulated depreciation of \$2,145,302, leaving a book value of \$2,710,576. This investment in capital assets consists of land, buildings, equipment, and sewer improvements. The total increase in the Town's investment in capital assets for the current year was \$636,440, about 15.08% in terms of historical cost. Depreciation charges for the year totaled \$ 123,407 compared to \$115,917 for the prior year.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The following economic factors were considered when the budget for the fiscal year ended December 31, 2007 was prepared:

- Revenues are expected to remain consistent with the prior year.
- Expenses are expected to remain consistent with the prior year.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the finances of the Town and seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Oil City, P. O. Box 520, Oil City, Louisiana 71061 or by calling (318) 995-6681.

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

# TOWN OF OIL CITY, LOUISIANA

## Statement of Net Assets December 31, 2006

	<u>Primary Government</u> Governmental Activities	<u>Component Unit</u> Lakeview Cemetery	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 349,052	\$ 16,381	\$ 365,433
Investments, at cost	549,081	173,146	722,227
Receivables (net, where applicable, of allowances for uncollectible accounts)	86,246	615	86,861
Prepaid expenses	7,955	-	7,955
Refundable deposits	410	-	410
Capital assets, net of accumulated depreciation	2,710,576	-	2,710,576
Total assets	<u>3,703,320</u>	<u>190,142</u>	<u>3,893,462</u>
<u>Liabilities</u>			
Accounts payable	41,915	-	41,915
Payroll taxes payable	3,140	-	3,140
Total liabilities	<u>45,055</u>	<u>-</u>	<u>45,055</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	2,710,576	-	2,710,576
Unrestricted	947,689	190,142	1,137,831
Total net assets	<u>\$ 3,658,265</u>	<u>\$ 190,142</u>	<u>\$ 3,848,407</u>

The notes to the financial statements are an integral part of this statement.  
See the accompanying independent auditor's report.



# TOWN OF OIL CITY, LOUISIANA

## Statement of Activities

For the Year Ended December 31, 2006

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Governmental Activities	Component Unit
Governmental Activities:						
General government	\$ 176,154	\$ 22,269	\$ 300	\$ 685,443	\$ 531,858	\$ -
Public safety	177,666	66,099	11,595	3,925	(96,047)	-
Sanitation	11,577	-	-	-	(11,577)	-
Sewer	155,699	46,945	-	-	(108,754)	-
Total Primary Government	<u>\$ 521,096</u>	<u>\$ 135,313</u>	<u>\$ 11,895</u>	<u>\$ 689,368</u>	<u>315,480</u>	<u>-</u>
Component Unit:						
Lakeview Cemetery	<u>\$ 3,300</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>-</u>	<u>1,700</u>
Taxes					331,452	-
Interest					32,586	7,470
Lot sales					-	3,750
Insurance settlement					22,502	-
Miscellaneous					3,214	-
Total general revenues					<u>389,754</u>	<u>11,220</u>
Change in net assets					705,234	12,920
Net assets, beginning of year					<u>2,953,031</u>	<u>177,222</u>
Net assets, end of year					<u>\$ 3,658,265</u>	<u>\$ 190,142</u>

The notes to the financial statements are an integral part of this statement.  
See the accompanying independent auditor's report.

**FUND FINANCIAL STATEMENTS**

# TOWN OF OIL CITY, LOUISIANA

## Balance Sheet – Governmental Funds December 31, 2006

	General Fund	Special Revenue Fund	Capital Project Fund	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 67,018	\$ 282,014	\$ 20	\$ 349,052
Investments, at cost	200,832	348,249	-	549,081
Receivables (net, where applicable, of allowances for uncollectible accounts)	16,218	37,736	32,292	86,246
Prepaid expenses	7,955	-	-	7,955
Refundable deposits	410	-	-	410
Total assets	<u>\$ 292,433</u>	<u>\$ 667,999</u>	<u>\$ 32,312</u>	<u>\$ 992,744</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 4,382	\$ 5,241	\$ 32,292	\$ 41,915
Payroll taxes payable	3,140	-	-	3,140
Deferred revenues	-	3,471	-	3,471
Total liabilities	<u>7,522</u>	<u>8,712</u>	<u>32,292</u>	<u>48,526</u>
<u>Fund balances:</u>				
Reserved- prepaid expenses	7,955	-	-	7,955
Unreserved - undesignated	276,956	659,287	20	936,263
Total fund balances	<u>284,911</u>	<u>659,287</u>	<u>20</u>	<u>944,218</u>
Total liabilities and fund balances	<u>\$ 292,433</u>	<u>\$ 667,999</u>	<u>\$ 32,312</u>	<u>\$ 992,744</u>

The notes to the financial statements are an integral part of this statement.  
See the accompanying independent auditor's report.

**TOWN OF OIL CITY, LOUISIANA**

**Reconciliation of Fund Balances on the Balance Sheet  
for Governmental Funds to the Net Assets of  
Governmental Activities on the Statement of Net Assets  
December 31, 2006**

---

Fund balances - total governmental funds	\$ 944,218
Amounts reported for governmental activities in the statement of net assets are different because:	
Delinquent taxes are recognized as revenue in the period for which levied in the government-wide financial statements, but are reported as deferred revenue (a liability) in governmental funds.	3,471
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Add - capital assets	4,855,878
Deduct - accumulated depreciation	<u>(2,145,302)</u>
Net assets of governmental activities	<u><u>\$ 3,658,265</u></u>

The notes to the financial statements are an integral part of this statement.  
See the accompanying independent auditor's report.

# TOWN OF OIL CITY, LOUISIANA

## Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Year Ended December 31, 2006

	General Fund	Special Revenue Fund	Capital Project Fund	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 97,884	\$ 234,987	\$ -	\$ 332,871
Licenses and permits	22,269	-	-	22,269
Intergovernmental:				
State supplemental pay	8,890	-	-	8,890
Grants:				
Federal	-	-	568,743	568,743
State	3,925	-	-	3,925
Fines and fees	66,099	-	-	66,099
Service charges	-	46,945	-	46,945
Interest	12,264	20,322	-	32,586
Contributions	119,705	-	-	119,705
Miscellaneous	3,014	200	-	3,214
Total revenues	<u>334,050</u>	<u>302,454</u>	<u>568,743</u>	<u>1,205,247</u>
<b>Expenditures:</b>				
Current operating:				
Administrative	112,356	11,591	18,034	141,981
Law enforcement	165,680	-	-	165,680
Sanitation	-	11,577	-	11,577
Sewer	-	78,451	-	78,451
Capital outlays	50,565	5,725	580,150	636,440
Total expenditures	<u>328,601</u>	<u>107,344</u>	<u>598,184</u>	<u>1,034,129</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,449</u>	<u>195,110</u>	<u>(29,441)</u>	<u>171,118</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	141,583	139,587	29,441	310,611
Operating transfers out	(139,587)	(171,024)	-	(310,611)
Insurance settlement	22,502	-	-	22,502
Total other financing sources (uses)	<u>24,498</u>	<u>(31,437)</u>	<u>29,441</u>	<u>22,502</u>
Net change in fund balance	29,947	163,673	-	193,620
Fund balance at beginning of year	254,964	495,614	20	750,598
Fund balance at end of year	<u>\$ 284,911</u>	<u>\$ 659,287</u>	<u>\$ 20</u>	<u>\$ 944,218</u>

The notes to the financial statements are an integral part of this statement.  
See the accompanying independent auditor's report.

## TOWN OF OIL CITY, LOUISIANA

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2006

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Net change in fund balances - total governmental funds	\$ 193,620
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$636,440) exceed depreciation expense (\$123,407) in the current period.	513,033
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Because some property taxes will not be collected for several months after the Town's fiscal year ends, they are not considered as "available" revenues in the governmental funds. However, they are recorded as revenue in the statement of activities when assessed.	<u>(1,419)</u>
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Change in net assets of government activities	<u>\$ 705,234</u>
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The notes to the financial statements are an integral part of this statement.  
See the accompanying independent auditor's report.

# TOWN OF OIL CITY, LOUISIANA

## Notes to the Financial Statements December 31, 2006

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### ***Introduction:***

The Town of Oil City, Louisiana (Town) was incorporated in 1945 under the provisions of the Lawrason Act. The Town is located in Caddo Parish in Northwest Louisiana.

The Town operates under the Mayor-Board of Aldermen form of government. Elected officials of the Town consist of the mayor and five (5) aldermen who are each elected to four-year terms. The affairs of the Town are conducted and managed by the mayor and the board of aldermen.

The accompanying financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. GAAP as applicable to governments also conforms to the requirements of Louisiana R.S. 24:517 and the guides set forth in the *Louisiana Municipal Audit and Accounting Guide* and to the industry guide, *Audits of State and Local Government Units*, published by the American Institute of Certified Public Accountants.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under the provisions of this Statement, the Town is considered a primary government since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, or issue bonded debt.

### ***1. Summary of Significant Accounting Policies:***

The accounting and reporting framework and the more significant accounting policies of the Town are described as follows:

#### **Reporting Entity –**

In evaluating the Town as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. The Town (primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town has oversight of other component units that are discretely presented in a separate column in the government-wide financial statements.

## TOWN OF OIL CITY, LOUISIANA

### Notes to the Financial Statements December 31, 2006

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#### **1. Summary of Significant Accounting Policies (Continued):**

##### **Reporting Entity – (Continued):**

Discretely Presented Component Units

##### Lakeview Memorial Gardens

The Town, by ordinance, formed a cemetery board and transferred operation of Lakeview Memorial Gardens. All members of the cemetery board are appointed by the mayor and board of aldermen of the Town of Oil City. The cemetery is governed by the State Laws Governing Cemetery Boards, R.S. 8:451-467 and Act 417 of 1974, which regulate setting up Trust Funds for Perpetual Care.

##### **Basis of Presentation**

The accompanying basic financial statements of the Town have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Town's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

##### **Fund Accounting**

The Town uses funds to maintain its financial records during the year. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

The funds are grouped into one category as described below:

##### **Governmental Funds:**

Governmental funds account for all or most of the Town's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between the governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources, which may be used to finance future period programs or operations. The following are the Town's governmental funds:

**General Fund** – The General Fund is the general operating fund of the Town. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

**Special Revenue Fund (Sewer Fund)** – The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Special Revenue Fund accounts for the collection of property taxes and fees. These funds are used to provide sewer service to the citizens of the Town of Oil City.



# **TOWN OF OIL CITY, LOUISIANA**

Notes to the Financial Statements  
December 31, 2006

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## **1. Summary of Significant Accounting Policies (Continued):**

### **Fund Accounting – (Continued):**

**Capital Project Fund (LCDBG Fund)** - The Capital Project Fund accounts for all financial resources used for the acquisition or construction of the multi-purpose community center primarily financed by a 2005 Community Development Block Grant.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

### **Government-wide Financial Statements (GWFS)**

The statement of net assets and the statement of activities display information about the Town and its component unit. These statements include all the financial activities of the Town. Information contained in these statements reflects the “economic resources” measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment of the Town’s activities is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. The Town does not allocate indirect expenses to functions in the statement of activities. Program revenues reduce the cost of the function to be financed from the Town’s general revenues. Program revenues included in the statement of activities are (1) derived directly from charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, (2) operating grants and contributions, and (3) capital grants and contributions. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which functions the revenues are restricted. Revenues not classified as program revenues are presented as general revenues, which include ad valorem taxes, sales taxes, franchise taxes, interest, and other items not properly included in program revenues.

## TOWN OF OIL CITY, LOUISIANA

### Notes to the Financial Statements December 31, 2006

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#### 1. *Summary of Significant Accounting Policies (Continued):*

##### **Measurement Focus, Basis of Accounting and Financial Statement Presentation – (Continued):**

##### **Fund Financial Statements (FFS)**

The fund financial statements report financial information by major and nonmajor funds. The emphasis of fund financial statements is on major governmental funds, each of which is displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent (10%) of the corresponding total for all funds of that category or type.
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five percent (5%) of the corresponding total for all government and enterprise funds combined.
- c. The Town's management believes that the fund is particularly important to the financial statement users.

The Town considers the General Fund, the Special Revenue Fund, and the Capital Project Fund to be "major funds".

**Governmental Fund Financial Statements-** The amounts reflected in the governmental fund financial statements are accounted for using the "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. When the "current financial resources" measurement focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as expenditure. Furthermore, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt are reported as an other financing source and repayment of long-term debt is reported as expenditure. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Town's operations.

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred.

The governmental funds use the following practices in recording revenues and expenditures:

Sales tax revenues are recorded in the period in which the underlying exchange has occurred.

## TOWN OF OIL CITY, LOUISIANA

### Notes to the Financial Statements December 31, 2006

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#### 1. *Summary of Significant Accounting Policies (Continued):*

##### **Measurement Focus, Basis of Accounting and Financial Statement Presentation – (Continued):**

##### **Fund Financial Statements (FFS) – (continued):**

Fines, forfeitures, and fees are recognized in the period they are collected by the Town.

Interest earnings on deposits are recorded when earned.

Ad valorem taxes are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. Louisiana Revised Statute 47: 1993 requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31. The taxes are generally collected in December of the year assessed and January and February of the ensuing year.

Revenue from federal and state grants is recognized when all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which resources are provided to the Town on a reimbursement basis.

Those revenues susceptible to accrual are sales taxes, property taxes, franchise taxes, grants, interest revenue and charges for services. Substantially all other revenues, including fines, permits, and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Expenditures are generally recognized under the modified accrual basis when a liability is incurred.

Salaries and related benefits are recorded when employee services are provided to the Town.

Purchases of various operating supplies are recorded as expenditures in the accounting period in which they are purchased.

Commitments under construction contracts are recognized as expenditures when earned by the contractor.

Purchases of capital assets in the governmental funds are recorded as expenditures when purchased. Governmental fund capital assets are reported at cost, net of accumulated depreciation, only in the government-wide financial statements.

Transfers between funds that are not expected to be repaid, sales of assets, proceeds from the sale of bonds, capitalized leases, compensation for the loss of assets, and the proceeds from accrued interest on the sale of bonds are accounted for as other financing sources (uses) in the statement of revenues, expenditures and changes in fund balance. These other financing sources (uses) are recognized at the time the underlying events occur.

## TOWN OF OIL CITY, LOUISIANA

### Notes to the Financial Statements December 31, 2006

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#### ***1. Summary of Significant Accounting Policies (Continued):***

##### **Cash and Cash Equivalents and Investments**

Cash and cash equivalents include cash on hand, amounts in demand deposits and short term, highly liquid investments with original maturities of 90 days or less when purchased. Investments are interest-bearing time deposits with original maturity dated in excess of 90 days when purchased. Investments are stated at cost, which approximates market value.

The Town's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the Town may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local Louisiana governments are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana which operates a local government investment pool.

##### **Receivables**

In the government-wide financial statement, receivables consist of all revenues earned at year-end and not yet received. Major receivables for the governmental activities include sewer fees, franchise taxes, sales and use taxes, interest, and property tax revenues. The Town uses the allowance method to account for bad debts for property taxes. Under this method, an estimate is made of the expected bad debts included in the year-end receivables. The provision for bad debts is recorded as a current expenditure with a corresponding increase to the allowance for doubtful accounts. Accounts receivable are reported in the financial statements net of the allowance account. Subsequent charge-offs or recoveries of specific accounts respectively decrease or increase the allowance account.

The allowance for uncollectible ad valorem taxes was \$2,359 and \$2,359 at December 31, 2006 and 2005, respectively.

##### **Capital Assets**

Capital assets which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, lighting, and similar items) are reported in the governmental column in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair value at the date of donation. The Town maintains a threshold level of \$500 or more for capitalizing assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

In accordance with GASB Statement 34, because of the costs involved in retroactively capitalizing infrastructure, the Town has elected an exception for local governments with annual revenues of less than \$10 million and will prospectively capitalize infrastructure from the date of implementation of GASB Statement 34 forward and will not retroactively capitalize infrastructure. The Town does not capitalize historical treasures or works of art.

## TOWN OF OIL CITY, LOUISIANA

### Notes to the Financial Statements December 31, 2006

#### 1. Summary of Significant Accounting Policies (Continued):

##### Capital Assets – (Continued):

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of net assets. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives depending upon the expected durability of the particular asset:

Description	Estimated Lives
Buildings	20-40 years
Equipment	5-20 years
Sewer improvements	40 years

##### Compensated Absences

The Town of Oil City has the following policy relating to vacation and sick leave:

*Vacation* – Employees are entitled to five days after one continuous year of service; ten days after two continuous years of service and thereafter. Vacation days must be used in the calendar year of entitlement. Unused days lapse as of December 31 each year and do not accrue.

*Sick leave* – limited to ten days at full pay. Days must be used within the calendar year and do not accrue.

The cost of current leave privileges is recognized as current-year expenditure in the governmental funds, when leave is actually taken.

##### Interfund Transactions

Quasi-external transactions, if any, are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as operating transfers.

##### Interfund Balances (Due from/to Other Funds)

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and due from other funds". These receivables and payables are classified as due from/to other funds in the fund financial statements.

Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the government-wide governmental activities columns of the statement of net assets.

## TOWN OF OIL CITY, LOUISIANA

### Notes to the Financial Statements December 31, 2006

#### 1. *Summary of Significant Accounting Policies (Continued):*

##### **Interfund Balances (Due from/to Other Funds) – (Continued):**

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without the expectation of repayment, the transaction is reported as a transfer and is treated as a source of income by the recipient fund and as expenditure by the providing fund.

##### **Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond December 31, 2006 are recorded as prepaid expenses.

##### **Property Taxes**

The Town levies taxes on real and business personal property located within its boundaries. Property taxes are levied by the Town on property values assessed by the Caddo Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

Property taxes levied for the current year are recognized as revenues, even though a portion is collectible in the period subsequent to the levy, when levied in the government-wide financial statements and are recognized to the extent that they result in current receivables in the fund financial statements.

##### Property Tax Calendar

Assessment date .....	January 1, 2006
Levy date .....	Not later than June 1, 2006
Tax bills mailed .....	November 15, 2006
Total taxes are due .....	December 31, 2006
Penalties and interest are added .....	January 1, 2007
Lien date .....	No set policy
Tax sale – 2005 delinquent property .....	No set policy

The Caddo Parish Tax Assessor establishes assessed values each year on a uniform basis at the following ratios to fair market value:

10% .....	Land
10% .....	Residential Improvements
15% .....	Industrial Improvements
15% .....	Machinery
15% .....	Commercial Improvements
25% .....	Public Service Properties - excluding land

## TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements  
December 31, 2006

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### **1. Summary of Significant Accounting Policies (Continued):**

#### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

#### **Deferred Revenues**

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the Town receives resources before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria have been met or the Town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

#### **Fund Equity**

In the government-wide financial statements, equity (the difference between assets and liabilities) is classified as net assets and is reported in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – Consists of all other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved (portions of fund equity not available for appropriation or are legally restricted by outside parties for use for a specific purpose) or unreserved, with unreserved segregated between designated (portions of fund balance which represents management's plans which are subject to change) and undesignated.

In the event that the Town, for the same function or purpose, receives restricted and unrestricted monies, the policy is to first apply restricted resources when expenditure is incurred.

## TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements  
December 31, 2006

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### 1. *Summary of Significant Accounting Policies (Continued):*

#### **Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for the risk of loss, including automobile liability, general liability, property damage, workers compensation, errors and omissions, and surety bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### 2. *Cash and Cash Equivalents and Investments:*

#### *Cash and Cash Equivalents:*

At December 31, 2006, the Town had cash and cash equivalents (book balances) totaling \$349,052 as follows:

Cash on hand	\$ 75
Demand deposits	348,977
	<u>\$ 349,052</u>

#### *Investments:*

At December 31, 2006, the Town had investments (book balances) totaling \$549,081 as follows:

Time deposits	<u>\$ 549,081</u>
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These deposits with financial institutions are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Town's name.

The cash equivalents and investments of the Town are subject to the following risks:

**Custodial Credit Risk:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town will not be able to recover its deposits. At year end, the Town had collected bank balances of \$899,572 which were fully protected by \$450,565 of federal depository insurance and \$668,710 of pledged securities held by the custodial banks.

**Interest Rate Risk:** The Town's certificates of deposit have maturities of two years or less which limits exposure to fair value losses arising from rising interest rates.



## TOWN OF OIL CITY, LOUISIANA

### Notes to the Financial Statements December 31, 2006

#### 2. *Cash and Cash Equivalents and Investments (Continued):*

*Credit Risk:* The Town's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the Town may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

#### 3. *Property Taxes:*

For the year ended December 31, 2006, taxes of 18.00 mills were levied on property with assessed valuations totaling \$2,996,740 and were dedicated as follows:

Sewerage and streets .....	14.00 mills
General fund operations .....	4.00 mills

Total taxes levied were \$53,941.

#### 4. *Receivables:*

As of December 31, 2006, receivables consisted of the following:

	General Fund	Special Revenue Fund	Capital Project Fund	Total
Property taxes	\$ -	\$ 17,494	\$ -	\$ 17,494
Less allowance for uncollectible	-	(2,359)	-	(2,359)
Sales tax	-	15,224	-	15,224
Franchise taxes	11,454	-	-	11,454
Beer tax	1,007	-	-	1,007
Service charges	-	3,322	-	3,322
Interest	3,757	4,055	-	7,812
Federal grant (LCDBG)	-	-	32,292	32,292
	<u>\$ 16,218</u>	<u>\$ 37,736</u>	<u>\$ 32,292</u>	<u>\$ 86,246</u>

# TOWN OF OIL CITY, LOUISIANA

## Notes to the Financial Statements December 31, 2006

### 5. *Operating Transfers:*

In the ordinary course of business, the Town routinely transfers resources between its funds. Transfers are used to (1) move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them, and (2) use unrestricted revenues to finance various programs accounted for in other funds in accordance with budgetary authorizations.

#### Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 141,583
Special Revenue Fund	General Fund	139,587
Capital Projects Fund	Special Revenue Fund	29,441
		<u>\$ 310,611</u>

### 6. *Capital Assets:*

Capital assets and depreciation activity as of and for the year ended December 31, 2006 for the Town is as follows:

	<u>Balance January 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2006</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 137,980	\$ -	\$ -	\$ 137,980
Capital assets being depreciated:				
Building and structures	1,289,455	598,303	-	1,887,758
Improvements	2,404,474	-	-	2,404,474
Equipment	387,529	38,137	-	425,666
Total capital assets being depreciated	<u>4,081,458</u>	<u>636,440</u>	<u>-</u>	<u>4,717,898</u>
Less accumulated depreciation for:				
Building and structures	735,901	33,238	-	769,139
Improvements	1,074,440	60,112	-	1,134,552
Equipment	211,554	30,057	-	241,611
Total accumulated depreciation	<u>2,021,895</u>	<u>123,407</u>	<u>-</u>	<u>2,145,302</u>
Total capital assets , net	<u>\$ 2,197,543</u>	<u>\$ 513,033</u>	<u>\$ -</u>	<u>\$ 2,710,576</u>

## TOWN OF OIL CITY, LOUISIANA

### Notes to the Financial Statements December 31, 2006

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#### 6. *Capital Assets (Continued):*

Depreciation expense of \$123,407 for the year ended December 31, 2006, was charged to the following governmental functions:

General government	\$ 34,173
Public safety	11,986
Sewer	77,248
	<u>\$ 123,407</u>

#### 7. *Commitments and Contingencies:*

##### Lawsuits

Various claims and lawsuits are pending against the Town. The Town of Oil City is named as defendant in a suit alleging damages as a result of a defective sewerage system in the amount of approximately \$75,000. The Town's insurer has denied coverage; however, the agreement between the Town and Waterworks, Inc., a contractor of the Town, requires the contractor to indemnify the Town. Legal counsel expects the case to be settled with no loss to the Town. However, it is impossible to estimate the possible exposure of the Town at this time. There are no other claims or pending litigation which are expected to result in a significant liability to the Town which is not considered coverable by insurance.

##### Grant Audit

The Town participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

##### Construction Commitments

As of December 31, 2006, the Town of Oil City has an active construction project to construct a multi-purpose community center. The project is expected to have a cost of \$635,700. The project is expected to be predominately funded by a Louisiana Community Development Block Grant (federal grant).

On September 14, 2006, The Town entered a cooperative endeavor agreement with the Louisiana Department of Transportation and Development to provide for the overlay of the Lakeview Cemetery Road.

#### 8. *Related Party Transactions:*

Procedures, observations, and inquiries did not disclose any material related party transactions for the fiscal year ended December 31, 2006.

## **TOWN OF OIL CITY, LOUISIANA**

### **Notes to the Financial Statements December 31, 2006**

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#### **9. *On-Behalf Payments:***

Three employees received a total of \$8,890 in police supplemental pay from the State of Louisiana. The Town is responsible for withholding taxes from these employees and paying the Town's matching portion of social security taxes for the amount of supplemental pay received. The Town must recognize this supplemental pay received by the employees as revenues and expenditures. The revenue is reported in the general fund under intergovernmental revenues and the expenditure is reported in law enforcement expenditures.

#### **10. *Subsequent Events:***

On January 25, 2007, the Town received a certificate of substantial completion for the community center.

On May 9, 2007, the Town received \$10,000 from the Louisiana Department of Transportation and Development under the terms of a cooperative endeavor agreement for the overlay of the Lakeview Cemetery Road.

**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

# TOWN OF OIL CITY, LOUISIANA

## Combined Schedule of Revenues, Expenditures, and Changes in Fund Balance -- Budget (GAAP Basis) and Actual -- Governmental Funds For the Year Ended December 31, 2006

	General Fund			Special Revenue		
	Budgeted Amounts	Actual	Differences (Under)	Budgeted Amounts	Actual	Differences (Under)
Revenues:						
Taxes	\$ 66,530	\$ 97,884	\$ 31,354	\$ 153,000	\$ 234,987	\$ 81,987
Licenses and permits	43,300	22,269	(21,031)	-	-	-
Intergovernmental						
State supplemental pay	-	8,890	8,890	-	-	-
Grants:						
Federal	-	-	-	-	-	-
State	-	3,925	3,925	-	-	-
Fines and fees	47,000	66,099	19,099	-	-	-
Service charges	-	-	-	35,700	46,945	11,245
Interest	7,500	12,264	4,764	15,000	20,322	5,322
Contributions	-	119,705	119,705	-	-	-
Miscellaneous	6,950	3,014	(3,936)	100	200	100
Total revenues	171,280	334,050	162,770	203,800	302,454	98,654
Expenditures:						
Current operating:						
Administrative	59,535	112,356	(52,821)	35,000	11,591	23,409
Law enforcement	146,250	165,680	(19,430)	-	-	-
Sanitation	-	-	-	25,000	11,577	13,423
Sewer	-	-	-	81,500	78,451	3,049
Capital outlays	-	50,565	(50,565)	50,000	5,725	44,275
Total expenditures	205,785	328,601	(122,816)	191,500	107,344	84,156

The notes to the financial statements are an integral part of this statement.  
See the accompanying independent auditor's report.

# TOWN OF OIL CITY, LOUISIANA

## Combined Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Governmental Funds For the Year Ended December 31, 2006

	General Fund		Differences (Under)	Special Revenue		Differences (Under)
	Budgeted Amounts Original	Actual		Budgeted Amounts Original	Actual	
Excess (deficiency) of revenues over (under) expenditures	(34,505)	5,449	39,954	12,300	195,110	182,810
Other financing sources (uses):						
Operating transfers in	-	141,583	141,583	-	139,587	139,587
Operating transfers out	-	(139,587)	(139,587)	(33,792)	(171,024)	(137,232)
Insurance settlement	-	22,502	22,502	-	-	-
Total other financing sources (uses)	-	24,498	24,498	(33,792)	(31,437)	2,355
Net change in fund balance	(34,505)	29,947	64,452	(21,492)	163,673	185,165
Fund balance at beginning of year	254,964	254,964	-	495,614	495,614	-
Fund balance at end of year	<u>\$ 220,459</u>	<u>\$ 284,911</u>	<u>\$ 64,452</u>	<u>\$ 474,122</u>	<u>\$ 659,287</u>	<u>\$ 185,165</u>

The notes to the financial statements are an integral part of this statement.  
See the accompanying independent auditor's report.

## **TOWN OF OIL CITY, LOUISIANA**

### **Notes to Budgetary Comparison Schedule For the Year Ended December 31, 2006**

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The proposed budget for the December 31, 2006, fiscal year was made available for public inspection at the office of the mayor in the municipal complex of the Town of Oil City on November 1, 2005. The proposed budget is prepared in accordance with the Generally Accepted Accounting Principles (GAAP).

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Mayor prepares a proposed budget and submits it to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an enabling resolution prior to the commencement of the fiscal year for which the budget is being adopted.
5. The budget is structured such that revenues are budgeted by source and appropriations are budgeted by department and by principal object of expenditure. The Board of Aldermen may revise or amend the budget at its discretion during legally convened sessions. The budgetary information presented in these financial statements is as so amended. Management may amend the budget only below the department level.
6. The Town utilizes formal budgetary integration as a management control device for all funds.

Through the budget, the Town allocates its resources and establishes its priorities. The annual budget assures the efficient and effective uses of the Town's economic resources. It establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the Town's performance.

Expenditures may not legally exceed appropriations at the fund level. Appropriations that are not expended lapse at year end.

The budget for the year ended December 31, 2006 was formally adopted on December 6, 2005. The Budgetary Comparison Schedule – Budget (GAAP Basis) to Actual presents comparisons of the original legally adopted budget with the actual data.



## **OTHER SUPPLEMENTARY INFORMATION**

## TOWN OF OIL CITY, LOUISIANA

### Schedule of Mayor and Aldermen's Compensation For the Year Ended December 31, 2006

The schedule of compensation paid to the mayor and the aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the mayor and aldermen is included in the general government expenditures of the General Fund. During 2006, the following amounts were paid to the Mayor and Aldermen:

Honorable J. C. Dickey, Jr. - Mayor's Salary		\$ 12,000
Aldermen per diem:		
James Clifton, Sr.	\$ 1,275	
Donnie Jackson	1,225	
Doug Self	575	
James Sims	1,250	
Amanda Sloan	850	
Robert Smith	<u>525</u>	
		5,700
Total		<u>\$ 17,700</u>

The current elected officials:  
J. C. Dickey, Jr. - Mayor

Office expiration date:  
December 31, 2008

James Clifton, Sr.  
Donnie Jackson  
Doug Self  
James Sims  
Robert Smith

December 31, 2008  
December 31, 2008  
December 31, 2008  
December 31, 2008  
December 31, 2008

**TOWN OF OIL CITY, LOUISIANA**

Discretely Presented Component Unit -  
Statement of Net Assets  
December 31, 2006

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	<u>Assets</u>	<u>Lakeview Cemetery</u>
Cash		\$ 16,381
Investments, at cost		173,146
Receivables (net, where applicable, of allowances for uncollectible accounts)		<u>615</u>
Total Assets		<u>\$ 190,142</u>
	<u>Net Assets</u>	
Unrestricted		<u>\$ 190,142</u>

See the accompanying independent auditor's report.  
Supplementary schedule. Presented for purposes of additional analysis only.

**TOWN OF OIL CITY, LOUISIANA**

Discretely Presented Component Unit -  
Statement of Activities  
For the Year Ended December 31, 2006

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	<b><u>Lakeview Cemetery</u></b>
Program Expenses:	
Lawn maintenance	<u>\$ 3,300</u>
Program Revenues:	
Contributions	<u>5,000</u>
General Revenues:	
Lot sales	3,750
Interest	<u>7,470</u>
Total General Revenues	<u>11,220</u>
Change in Net Assets	12,920
Net Assets, beginning of year	<u>177,222</u>
Net Assets, end of year	<u><u>\$ 190,142</u></u>

See the accompanying independent auditor's report.  
Supplementary schedule. Presented for purposes of additional analysis only.

**TOWN OF OIL CITY, LOUISIANA**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2006**

<b>Federal Grantor/ Pass-Through Grantor Name/ Program Title</b>	<b>CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Federal Expenditures</b>
<b>US Department of Housing and Urban Development</b>			
Community Development Block Grant State Program	14.228	623891	<u>\$ 568,743</u>

See the accompanying independent auditor's report.  
Supplementary schedule. Presented for purposes of additional analysis only.

**OTHER REPORTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS, THE LOUISIANA GOVERNMENTAL  
AUDIT GUIDE, AND OMB CIRCULAR A-133**

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

The following independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

# **WILLIAM E. WEATHERFORD, CPA, LLC**

**CERTIFIED PUBLIC ACCOUNTANT**

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With Government Auditing Standards**

The Honorable J. C. Dickey, Jr., Mayor  
and Members of the Board of Aldermen  
Town of Oil City, Louisiana

I have audited the financial statements of the governmental activities, the discretely presented component unit, and, each major fund of the Town of Oil City, Louisiana, as of and for the year ended December 31, 2006, which collectively comprise the basic financial statements of the Town of Oil City, Louisiana, and have issued my report thereon dated October 8, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Town's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. I consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 06-3 and 06-4.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider items 06-3 and 06-4 to be material weaknesses.

**POST OFFICE BOX 5946, SHREVEPORT, LA 71135**  
**PHONE: 318-798-1978 FAX: 318-798-1917**



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 06-1 and 06-2.

The Town of Oil City, Louisiana's response to the findings in my audit is included in the accompanying "Management's Corrective Action Plan". I did not audit the Town's response, and accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Louisiana Legislative Auditor, federal awarding agencies and pass-through entities, and management of the Town of Oil City, Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 21:513, this report is a public document and its distribution is not limited.

*William E. Weatherford, CPA, LLC*

William E. Weatherford, CPA, LLC  
Certified Public Accountant  
Shreveport, Louisiana  
October 8, 2007

# **WILLIAM E. WEATHERFORD, CPA, LLC**

**CERTIFIED PUBLIC ACCOUNTANT**

## **Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

The Honorable J. C. Dickey, Jr., Mayor  
and Members of the Board of Aldermen  
Town of Oil City, Louisiana

### Compliance

I have audited the compliance of the Town of Oil City, Louisiana, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the management of the Town of Oil City, Louisiana. My responsibility is to express an opinion on the Town's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Town of Oil City, Louisiana's compliance with those requirements.

In my opinion, the Town of Oil City, Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

### Internal Control Over Compliance

The management of the Town of Oil City, Louisiana is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over compliance.

**POST OFFICE BOX 5946, SHREVEPORT, LA 71135**  
**PHONE: 318-798-1978 FAX: 318-798-1917**

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the Town's internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

The Town of Oil City, Louisiana's response to the findings identified in my audit is included in the accompanying "Management's Corrective Action Plan". I did not audit the Town's response, and accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Louisiana Legislative Auditor, federal awarding agencies and pass-through entities, and management of the Town of Oil City, Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 21:513, this report is a public document and its distribution is not limited.

*William E. Weatherford, CPA, LLC*

William E. Weatherford, CPA, LLC  
Certified Public Accountant  
October 8, 2007

## **AUDIT FINDINGS**

## TOWN OF OIL CITY, LOUISIANA

### Schedule of findings and Questioned Costs December 31, 2006

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#### A. Summary of Auditor's Results

##### Financial Statements:

1. The auditor's report expresses an unqualified opinion on the financial statements of the Town of Oil City, Louisiana.
2. The Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* reports two (2) reportable conditions related to internal control over financial reporting. The reportable conditions are considered to be material weaknesses.
3. The Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* reports two (2) reportable conditions of noncompliance material to the financial statements.
4. Management's Summary Schedule of Prior Audit Findings is included in the financial statements.
5. No Memorandum of Other Comments and Recommendations was issued.
6. Management's Corrective Action Plan is included in the financial statements.

##### Federal Awards:

7. The Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 expresses an unqualified opinion.
8. The Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 reports no reportable conditions related to internal control over major programs.
9. The Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 reports no audit findings required to be reported in accordance with Circular A-133, Section 510(a).
10. Identification of major programs:
  - CFDA #14.228 – Community Development Block Grant State Program
11. The threshold for distinguishing between Type A and Type B programs was \$300,000.
12. The Town of Oil City, Louisiana, does not qualify as a low-risk Auditee.

**TOWN OF OIL CITY, LOUISIANA**

**Schedule of findings and Questioned Costs  
December 31, 2006**

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**B. Findings Relating to the Financial Statements Which are Required to be Reported Under *Government Auditing Standards*.**

**COMPLIANCE:**

**Item: 06-1**

**Criteria or specific requirement:**

Louisiana Revised Statute (LSA-R.S.) 24:513(A) (5) (a) requires "audits shall be completed within six months of the close of the entity's fiscal year".

**Condition:**

The Town's annual financial audit was not completed and filed with the Louisiana Legislative Auditor on or before June 30, 2007.

**Questioned costs:**

None

**Context:**

The entity is not in compliance with Louisiana Revised Statute (LSA-R.S.) 24:513(A) (5) (a).

**Effect:**

The Town of Oil City is not in compliance with Louisiana Revised Statute 24:513(A) (5) (a) and the reporting requirements of the contract with the Louisiana Division of Administration for the Community Development Block Grant.

**Cause:**

During early 2006, the Town of Oil City contracted with a local public accounting firm to maintain its financial records. At the recommendation of the accounting firm, the Town purchased and began maintaining its records with an accounting program that would allow the firm to access, review and correct, and return the corrected financial records to the Town in electronic format.

The Town repeatedly requested the firm to perform the contracted accounting services. However, the firm failed to provide bookkeeping services. At year end, the financial records of the Town were not in a format that was auditable. During 2007, the Town purchased another accounting program. All transactions for the year ended December 31, 2006 had to be entered into the new program in order for the financial data to be in an auditable format.

During May, 2007, the Town Clerk resigned to accept employment with a nearby municipality. An Interim Town Clerk was hired by the Town of Oil City.

Shortly after employment, the Interim Town Clerk was hospitalized for several weeks with a serious illness.

## **TOWN OF OIL CITY, LOUISIANA**

### **Schedule of findings and Questioned Costs December 31, 2006**

---

#### **Recommendation:**

The financial transactions of the Town should be entered into the bookkeeping program on a timely basis. The financial records should be closely reviewed and required adjustments should be made on a monthly basis. The Town should provide the Town's financial data to its auditor in a timely manner to facilitate completion of the audit within the statutory period.

#### **Item: 06-2**

#### **Criteria or specific requirement:**

Louisiana Revised Statute (LSA-R.S.) 39:1311 requires the chief executive or administrative officer of the Town to advise the town council in writing when:

1. Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.
2. Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.
3. Actual beginning fund balance, within a fund, fails to meet estimated fund balance by five percent or more and fund balance is being used to fund current year expenditures

Louisiana Revised Statute (LSA-R.S.) 39:1310 requires the governing authority (town council) to adopt a budget amendment in an open meeting when it receives notification pursuant to R.S. 39:1311.

#### **Condition:**

The total actual expenditures and other uses within the General Fund exceeded the total budgeted expenditures and other uses by five percent or more.

#### **Questioned costs:**

None

#### **Context:**

Expenditures and other uses of the General Fund exceeded the final amended budgetary amounts by \$122,816 (59.68%).

#### **Effect:**

The Police Jury is not in compliance with Louisiana Revised Statute (LSA-R.S.) 39:1310.

#### **Cause:**

During 2006, the financial records of the Town were maintained on a program that did not allow the Town to prepare in-house financial statements.

## **TOWN OF OIL CITY, LOUISIANA**

### **Schedule of findings and Questioned Costs December 31, 2006**

---

#### **Recommendation:**

The Town should amend the adopted budget of the General Fund or any special revenue fund whenever total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more or whenever total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.

#### **INTERNAL CONTROL:**

Item: 06-3

#### **Criteria or specific requirement:**

Effective internal control requires financial reports to be prepared and provided to management for review in a timely manner.

#### **Condition:**

The management of the Town of Oil City was not provided accurate financial reports in a timely manner.

#### **Questioned costs:**

None

#### **Context:**

The Town Clerk was unable to provide monthly financial reports to the mayor and town council.

#### **Effect:**

Management was not able to use financial reports as a basis for managerial decisions or to review for unusual transactions and obvious errors or misstatements.

#### **Cause:**

During early 2006, the Town of Oil City contracted with a local public accounting firm to maintain its financial records. At the recommendation of the accounting firm, the Town purchased and began maintaining its records with an accounting program that would allow the firm to access, review and correct, and return the corrected financial records to the Town in electronic format.

The Town repeatedly requested the firm to perform the contracted accounting services. However, the firm failed to provide bookkeeping services. The Town Clerk was unable to access the financial data and provide accurate financial reports to management.



## **TOWN OF OIL CITY, LOUISIANA**

### **Schedule of findings and Questioned Costs December 31, 2006**

---

#### **Recommendation:**

The financial transactions of the Town should be entered into the bookkeeping program on a timely basis. The financial records should be closely reviewed and required adjustments should be made on a monthly basis. The Town Clerk should provide financial data to management in a timely manner.

#### **Item: 06-4**

#### **Criteria or specific requirement:**

Effective internal control requires a proper segregation of incompatible duties.

#### **Condition:**

The town clerk performs several duties that are considered incompatible for effective internal control. These duties include but are not limited to collecting payments, making deposits, paying bills, and updating the general ledger for both receipts and disbursements.

#### **Questioned costs:**

None

#### **Context:**

The town clerk is performing incompatible accounting duties without appropriate mitigating procedures being performed.

#### **Effect:**

Without a proper segregation of duties, errors or fraud could occur and not be detected, increasing the risk of loss or theft of assets.

#### **Cause:**

Incompatible duties are not distributed between Town employees in a manner that minimizes internal control risk.

#### **Recommendation:**

The Town should distribute incompatible duties performed by the town clerk to other Town employees in a manner that minimizes the internal control risk. Furthermore, procedures that mitigate control risk should be implemented by the Town. These procedures include, but are not limited to:

- General ledger adjustments made by the town clerk should be reviewed and approved by the mayor.
- Bank deposits should be made by an employee other than the town clerk.
- Monthly bank reconciliations should be reviewed and signed by the mayor.

**TOWN OF OIL CITY, LOUISIANA**

Schedule of findings and Questioned Costs  
December 31, 2006

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**C. Findings and Questioned Costs for Major Federal Award Programs Audit**

None

**TOWN OF OIL CITY, LOUISIANA**

**Summary Schedule of Prior Audit Findings  
December 31, 2006**

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**PRIOR AUDIT FINDINGS RELATED TO COMPLIANCE**

**None**

**PRIOR AUDIT FINDINGS RELATED TO INTERNAL CONTROL**

**None**

J. C. DICKEY, JR.  
MAYOR

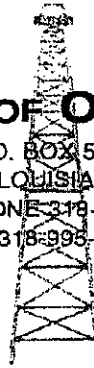
Amber Guth  
CLERK

JAMES LONG  
POLICE CHIEF

DOUGLAS DOMINICK  
ATTORNEY

## TOWN OF OIL CITY

P.O. BOX 520  
OIL CITY, LOUISIANA 71061  
TELEPHONE 318-995-6681  
FAX 318-995-6633



### COUNCILMEN

Robert Smith  
DISTRICT 1

DONNIE JACKSON  
DISTRICT 2

JAMES SIMS  
DISTRICT 3

MANDY SLOAN  
DISTRICT 4

JAMES CLIFTON, SR.  
DISTRICT 5

10-19-07

**RE: Schedule of findings and questioned cost**

To whom it may concern:

During the year ending 2006, the Town of Oil City experienced some serious problems in our bookkeeping system. We had contracted with a local accounting firm to access, review and correct financial records using the electronic book keeping system that the firm suggested we purchase. They did not meet their contractual obligations to the Town of Oil City. This caused us to not have correct financial information in a timely manner. They have been replaced. During the year we also lost our Town Clerk to another local municipality and after hiring a new clerk she developed a life ending disease. This sickness kept her from doing her duties for an extended period of time. We have changed to newly purchased bookkeeping soft-ware and have obtained services of a CPA to train and help maintain our new system.

In response to the findings in our audit for the year ending December 2006, we submit the following comments:

- Item: 06-1** We have corrected our book keeping problems and we will have a completed audit within six months of the close of the fiscal year.
- Item: 06-2** We have corrected our book keeping problems, started a new system, and obtained the services of a CPA and we will be able to advise our Town Council and to meet and or adopt a budget amendment when necessary.
- Item: 06-3** We have corrected our book keeping problems and our Town Clerk will be able to provide the mayor and town council with monthly financial reports.
- Item: 06-4** We have put into place at this time proper segregation of duties to help correct the internal control issues. We have acquired the services of a CPA, to examine our books on quarterly and to train additional people in our office to share some of the duties of our clerk to reduce the chances of fraud.

Love and prayers,

J.C. Dickey Jr.